

U.S.-CAFTA-DR Free Trade Agreement **Tennessee Farmers Will Benefit.**

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Exports of farm products help boost Tennessee's farm prices and income. Such exports help support about 10,254 jobs both on the farm and off the farm in food processing, storage, and transportation. In 2003, Tennessee's farm cash receipts were \$2.3 billion, and agricultural exports were estimated at \$649 million, putting its reliance on agricultural exports at 28 percent. Implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) will increase Tennessee's exports of agricultural products.

Tennessee Benefits From the U.S.- CAFTA-DR Free Trade Agreement (FTA)

Despite over \$1.6 billion in U.S. farm exports in 2003, CAFTA-DR countries continue to impose high tariffs and other barriers on most agricultural products, including Tennessee's key exports. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau support the FTA.

Beef. Providing the largest source of state farm cash receipts, Tennessee cattle and calve operators benefit from the FTA.

- Current import duties on U.S. beef exports are as high as 30 percent, and the WTO permits duties as high as 79 percent.
- Duties on the products most important to the U.S. beef industry – Prime and Choice cuts – will be eliminated immediately in Central American countries, while the Dominican Republic will establish a zero duty TRQ of 1,100 metric tons which expands annually as duties are eliminated.
- Some immediate duty-free access will be provided by certain countries on other beef cuts through an initial TRQ totaling 1,165 metric tons, expanding annually until duties are fully phased-out.
- Duties currently applied to other beef products and beef offals will be phased-out in 5 to 10 years.
- CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.
- *The American Meat Institute, the National Cattlemen's Beef Association, the National Renderers Association, and the U.S. Meat Export Federation have expressed support publicly for the CAFTA-DR FTA.*

Poultry. Providing the state's 2nd largest source of farm cash receipts, Tennessee poultry producers and processors benefit from the FTA.

- U.S. poultry exporters currently face duties as high as 164 percent on both fresh and frozen products, and the WTO permits duties as high as 250 percent.

- Each CAFTA-DR country will provide immediate duty-free access on chicken leg quarters, a product where the United States is the world's most competitive exporter, through country-specific TRQs that expand annually as duties are eliminated in 17 to 20 years.
- Costa Rica and the Dominican Republic will establish duty-free TRQs for chicken leg quarters totaling 850 metric tons, each expanding by 10 percent annually. The other four Central American countries will establish a total regional duty-free TRQ of 21,810 metric tons (with individual country minimum quota levels). After year 12, the TRQ quantity will be no less than 5 percent of regional chicken production.
- Duties on poultry products such as wings, breast meat and mechanically de-boned poultry meat will be reduced more quickly, with many eliminated within 10 years.
- CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.

The National Chicken Council, the USA Poultry and Egg Export Council, and the National Turkey Federation have expressed support publicly for the CAFTA-DR FTA.

Soybeans. As the state's 2nd largest agricultural export and 4th largest source of farm cash receipts, Tennessee soybean producers benefit from the FTA.

- Central American and Dominican import duties range from zero to 20 percent, and the WTO permits duties as high 90 percent.
- CAFTA-DR countries will provide immediate duty-free access for soybeans. Duties on soybean meal and flour will be eliminated immediately in most CAFTA-DR countries.
- Most CAFTA-DR countries will immediately eliminate duties on crude soybean oil, and the current duties on refined soybean oil phased out over 12 to 15 years.
- *The American Soybean Association, the National Grain and Feed Association, and the National Oilseed Processors Association have expressed support publicly for the CAFTA-DR FTA.*

Cotton. Providing the 5th largest source of state farm cash receipts and the largest state agricultural export, Tennessee's cotton farmers benefit from zero tariffs that the FTA locks-in immediately for markets worth over \$55 million to U.S. cotton suppliers. Under the WTO, CAFTA-DR countries could raise duties on cotton to 35 to 60 percent, depending on the country.

Corn. As the state's 6th leading source of farm cash receipts, Tennessee corn producers benefit from the FTA.

- U.S. corn exporters face duties up to 35 percent, and the WTO permits duties as high as 75 percent.
- Costa Rica and the Dominican Republic will eliminate their duty on yellow corn immediately. The other countries will provide preferential access through individual duty-free TRQs totaling 1,151,259 metric tons initially, growing by 5 percent per year as the over-quota duties are phased out over 15 years (10 years in the case of Guatemala).
- All currently applied duties on corn products (including corn flour, corn gluten feed, corn oil and high fructose corn syrup) will be phased-out in 15 years.

- *The Corn Refiners Association, the National Corn Growers Association, the National Grain and Feed Association, the National Grains Trade Council, the North American Export Grain Association, the U.S. Grains Council, and the North American Millers Association have expressed support publicly for the CAFTA-DR FTA.*

Tobacco. As the state's 4th largest agricultural export, Tennessee tobacco producers benefit from the FTA.

- Central American and Dominican import duties on leaf tobacco range from zero to 14 percent, and the WTO permits duties as high 90 percent.
- Under the FTA, duties will be immediately eliminated in El Salvador, Guatemala, Honduras and Nicaragua. Costa Rica and the Dominican Republic will eliminate duties in 10 years.
- U.S. tariffs on tobacco will be phased-out over a 15-year period, except where current duty treatment under CBI grants duty-free access. For those products, the tariff will be set at zero immediately.